



FINANCIAL RELATED AUDIT SHERIFF'S CANTEEN FUND & JAIL INMATE FUND

March 4, 2002

Roanoke City Council Audit Committee
Roanoke, Virginia

We have audited the accompanying Comparative Statement of Changes in Cash Balance and the Comparative Operating Statement for the Canteen fund of the City of Roanoke Sheriff's Office, and the related financial records for the jail inmate fund for the 12 month periods ended December 31, 2000 and December 31, 2001. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

BACKGROUND

On November 23, 1999, the Roanoke City Sheriff's Office contracted with the Swanson Services Corporation (Swanson) to sell commissary products to the inmates housed in the Roanoke City Jail. The new process was fully implemented and placed into operation in February of 2000. The Sheriff's Office receives a commission check from Swanson each month in the amount of 17.1% of Swanson's net commissary sales. The commission collected by the Sheriff's Office is deposited into the Canteen Fund checking account maintained at First Union National Bank. The canteen funds must be used for goods and services that benefit inmates or the general inmate population. The canteen accounting records are maintained by the Sheriff's Office using the Quicken financial software package.

Swanson also provides an inmate banking software program, the necessary hardware, and technical support to the Sheriff's Office. The Inmate Banking software is used to establish, account for, and manage monies in the Inmate Trust Funds. The Inmate Trust Funds consist of monies confiscated at the time of inmate incarceration, monies

received by inmates on the work release program, or monies received from family and friends of the inmate. Inmates may use their funds to make purchases from Swanson, to pay medical co-payments, or they may request payments be made to family and friends. Any excess monies in an inmates account are returned to the inmate upon release from the facility. Inmate Trust Funds are kept in a dedicated checking account maintained by First Citizens Bank.

SCOPE

We tested compliance with certain laws and regulations, obtained an understanding of internal controls, and assessed control risk. Our examination included transactions and cash balances for the 12-month periods ended December 31, 2001 and December 31, 2000 for the Canteen and Inmate funds.

METHODOLOGY

We conducted this audit using standard auditing procedures for evaluating transactions. This included performing a study of the system of internal controls to the extent necessary to plan our test work. This involved interviewing Roanoke City Sheriff's Office personnel and reviewing applicable policies and procedures used to process transactions. We then performed detailed testing of the receipts and invoices that comprise the cash activity reported. Sampling was performed on a non-statistical basis due to data configuration and accessibility.

REQUIRED COMMUNICATIONS

System of Internal Controls

The Sheriff's Office is responsible for establishing and maintaining a system of internal controls. In fulfilling this responsibility, judgments by management are required to assess the expected benefits and related costs of control procedures. The objective of a system of internal controls is to provide the Sheriff's Office with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with the Sheriff's authorization, and that transactions are accurately recorded.

As part of our examination, we made a study of the system of internal controls to the extent that we considered necessary to evaluate the system as required by government auditing standards. The purpose of our study was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the records of the Canteen and Inmate Funds administered by the Roanoke City Sheriff's Office.

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. A projection of any evaluation of internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation would not necessarily disclose all material weaknesses in the system of internal controls. Accordingly, we do not express an opinion on the system of internal controls.

Compliance with Laws and Regulations

Compliance with laws and regulations applicable to the Canteen and Inmate Funds is the responsibility of the Sheriff. As part of obtaining reasonable assurance about whether the Canteen and Inmate Funds financial records are free of material misstatement, we performed tests to verify compliance with certain provisions of laws and regulations by the Roanoke City Sheriff's Office. Laws and regulations tested include compliance with Code of Virginia and the Virginia Sheriff's Accounting Manual. Our objective was not to provide an opinion on overall compliance with applicable laws and regulations. Accordingly, we do not express such an opinion.

RESULTS

We reviewed 25% of the canteen expenditures to ensure that proper purchasing procedures were applied, and that the expenditures benefited the general inmate population. To determine that proper procedures were followed, we vouched all selected expenditures to a vendor invoice. Additionally, we scanned the complete listing of canteen expenditures for unusual expenditures and noted none. We selected a sample of fixed assets purchased and physically inspected the assets to confirm asset existence. We confirmed the Canteen Fund cash balance directly with the bank and completed a proof of cash. We verified the accuracy of Swanson's calculation of the commission due to the Roanoke City Sheriff's Office, and verified that the related deposits were properly made by the Sheriff's Office.

Finding 01

According to the Offsite Commissary Service Agreement between Swanson and the Roanoke City Sheriff's Office, Swanson will provide the Roanoke City Sheriff's Office with documentation related to any proposed price increase to include an annual market survey of the Roanoke City area to insure reasonable pricing for similar levels of service. Since Swanson essentially operates in a monopoly environment, this provision is the control to ensure that inmates are charged fair amounts for products purchased from Swanson. On January 5, 2001 Swanson raised the prices on certain of its candy and snack items by \$0.03 - \$0.05 per item without first conducting a market survey per the Offsite Commissary Service Agreement.

Recommendation 01

We recommend that the Roanoke City Sheriff's Office ensure that Swanson provide the proper documentation, including a market study, when Swanson proposes further price adjustments.

Management Response 01

The Sheriff's Office was not made aware that pricing was changed by Swanson. The Sheriff's Office will notify Swanson Services by letter that, in the future, any request to increase prices needs to be made in writing including a survey of pricing to support the request. The audit results will be attached to the request for clarification.

CONCLUSION

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash transactions of the canteen fund for the Roanoke City Sheriff's Office for the 12-month periods ended December 31, 2001 and December 31, 2000.

We would like to thank the Sheriff's Office for their cooperation during the audit.

Brian Garber
Auditor

Michael J. Tuck, CGAP
Senior Auditor

Drew Harmon, CPA, CIA
Municipal Auditor

City of Roanoke - Sheriff's Office
Canteen Fund
Comparative Statement of Changes in Cash Balances

	For 12-Months Ended December 31, 2001	For 12-Months Ended December 31, 2000	Change from Prior Year	
			\$	%
Receipts:				
Sales to Inmates	112,475	114,348	(1,873)	-2%
Total Receipts	112,475	114,009	(1,873)	-2%
Disbursements:				
Canteen Stock	1,509	9,406	(7,897)	-84%
Inmate Benefit	87,390	180,007	(92,617)	-51%
Sales Tax	-	3,072	(3,072)	-100%
Bank Charges	101	-	101	0%
Total Disbursements	89,000	192,485	(103,485)	-54%
Increase (Decrease) in Cash:	23,475	(78,476)	101,951	-130%
Add: Beginning Cash Balance	44,149	122,625	(78,476)	-64%
Ending Cash Balance	67,624	44,149	23,475	53%

City of Roanoke - Sheriff's Office
Canteen Fund
Operating Statement for Canteen

	For 12-Months Ended December 31, 2001	For 12-Months Ended December 31, 2000	Change from Prior Year	
			\$	%
SALES:				
Sales to Inmates	112,475	114,348	(1,873)	-1.6%
Total Sales	112,475	114,348	(1,873)	-1.6%
COST OF GOODS SOLD:				
Beginning Inventory	-	9,473	(9,473)	-100.0%
Add: Purchases	-	9,406	(9,406)	-100.0%
Less: Ending Inventory	-	-	-	0.0%
COGS:	-	18,879	(18,879)	-100.0%
OPERATING PROFIT (LOSS)	112,475	95,469	17,006	17.8%

CITY OF ROANOKE - SHERIFF'S OFFICE
Canteen Fund
Notes to Financial Statements
Year Ending December 31, 2001

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Canteen Fund monies are composed of the commissions received from Swanson Services Corporation. The commissions received are 17.1% of the net commissary sales to inmates. These monies must be expended to benefit jail inmates or the general inmate population.

Basis of Presentation:

The Sheriff's office maintains its financial records in accordance with the cash receipts and disbursements method of accounting. Revenue from all sources is recognized when actually or constructively received. Likewise, expenses are recognized when actually paid. Accordingly, there is no recognition of accounts receivable, accounts payable, property and equipment, depreciation, or accruals.